

April 19, 2013

To: Executive Board

Subject: **Current Financial Position Overview**

Recommendation

Receive and file the Current Financial Position Overview report.

Analysis

The monthly financial report normally reports on Foothill Transit's financial activity - the revenues and expenditures and how they compare to the approved budget and prior month activity. This report highlights the financial position of Foothill Transit and its viability as a going concern. Some of the important measures of Foothill Transit's ability to continue as a going concern include: 1) acid test, i.e. the ratio of liquid current assets to liabilities; 2) net worth; 3) deferred revenues; and 4) accumulated funding surpluses.

Foothill Transit's March 2013 financial position is addressed in this review, while a report on the March revenues and expenditures compared to budgeted amounts will be included at the April 26, 2013 board meeting.

Foothill Transit has \$61.4 million in cash (liquid assets) and liabilities of \$43.7 million resulting in an acid ratio of 1.41 to 1.00. This is a stringent measure of an agency's ability to meet short term obligations. Ratios greater than 1.00 indicate an agency will have no difficulty meeting short term liabilities. With the deferred revenue (\$42.3 million) removed from both the cash and liabilities the resulting ratio is 13.64 to 1.00. This is an extremely high ratio and indicates Foothill Transit has \$13.64 to pay every \$1.00 of liabilities/debt.

Foothill Transit's net worth, i.e. current assets less current liabilities is \$29.1 million (\$72.8 million less \$43.7 million). This amount represents Foothill Transit's worth (value) after the payment of ALL liabilities/debt. This is also a very good indication of Foothill Transit's ability to continue providing service.

The \$42.3 million of deferred revenues are grant funds that have been received, but have not been earned. Deferred revenue will be earned when expenditures have been incurred. This is akin to receiving an advance payment for expenditures that have not yet been incurred. While \$29.0 million of these deferred revenues can be used for operating expenditures, \$13.3 million are for specific budgeted capital projects. The importance of deferred revenues is that these potential revenues have been received and are not subject changes in the economy that could affect the amount of grant funding received by Foothill Transit.

Foothill Transit also has a surplus of \$24.5 million that is tentatively restricted for capital projects, but can be used for any expenditure, operating or capital at the Board's discretion. The surplus of \$24.5 million plus the \$29.3 million of deferred revenue (\$53.8 million) are available to fund approximately nine months of operating expenditures.

Summarizing the various analyses:

1. Ratio of Current assets to liabilities: 13.6 to 1.0 (ability to pay liabilities/debt)
2. Net Worth: \$29.1 million (value after payment of all debts/liabilities)
3. Deferred revenue: \$29.0 million operating and \$13.3 million capital
4. Surplus: \$24.5 million available for operating and/or capital.

Foothill Transit has available funding for approximately nine months of operating expenditures in cash, deferred revenues and surpluses. These resources will allow Foothill Transit to meet its financial needs for the next nine months without relying on current year revenues.

Sincerely,



Richard Hasenohrl
Director of Finance



Doran J. Barnes
Executive Director

Foothill Transit
Balance Sheet
As of March 31, 2013

Assets

Current Assets:

Cash	\$ 37,372,861
Investments	24,066,838
Due from government agencies	6,965,536
Other receivables	2,118,623
Other assets	2,260,959
Total Current Assets	<u>72,784,817</u>
Property & Equipment (net of depreciation)	149,572,576
Total Assets	<u><u>\$ 222,357,394</u></u>

Liabilities and Equity

Current Liabilities:

Accounts payable and accrued liabilities	\$ 1,418,387
Current portion of long term debt	0
Deferred Revenue	<u>42,283,364</u>
Total Liabilities	<u>43,701,751</u>

Equity

Fund Balance:

Investment in Capital Assets	149,572,576
Current Year Change	4,533,058
Surplus	<u>24,550,008</u>
Total Equity	<u></u>
Total Liabilities and Equity	<u><u>\$ 222,357,394</u></u>